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DIRECTORATE OF DISTANCE EDUCATION

MARKETING MANAGEMENT

P.G. DIPLOMA COURSE

PAPER - III

PRODUCT MANAGEMENT

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Paper III **Product Management**

I - Syllabus

Business objectives and produce planning - Demand and product planning - product life cycle (PLC) - different stages of PLC marketing mix and strategies during PLC.

Developing product plans - product policy - product (mix - product) positioning - Branding - Packaging - Relating product planning to other elements of the marketing mix - pricing, physical distribution and promotion.

New Product Management :

The nature and importance of new product maanagement - Organising for new product planning and development. - The new product planning and development process - Exploration. The search for new product Ideas - Screening new product ideas - Business Analysis - Product development - product testing - market testing - Communication - follow up-requirement for effective management of new product planning and development.

Dear Students,

Happy to note the you have joined in one of the most wanted professional courses to - day, i.e. P.G. Diploma in Marketing Management. Welcome to the Course and we would like to introduce the subject Product Management now.

Product Management deals with the importent with the product, which is the first 'p' in Marketing Management in the sequence of product, price, physical distribution and the comotion.

The lessons are arranged in nine chapters. The first lesson gives an account of introduction about product management. The second lesson describes the concept of product life cycle with the various stategies adapted to each stage in the cycle.

The third lesson explains the product mix-decisions in marketing. The quality, price design etc., are discussed in detail.

Lesson 4 concentrates on grading strategies and the packeging decisions.

Lesson 5 is an introduction to the students on the new product development. The criteria in chosing the decision of introducing the new product and the consequent models are discussed in this lesson.

Lesson 6 and 7 describes the stages in the new product development. The stages i.e. idea generation, screening, concept development, testing, Marketing strategy, business analysis, product development, market testing and the commercialisation are discussed in these lessons.

Lesson 8 concentrates on how consumers adopt to the new products and the process of adoption.

Lesson 9 discusses the organising Part of Product and brand management.

II Scheme of Lessons :

Lesson No. Title

1) Introduction.

2) Product life cycle.

3) Product mix decisions

4) Brending and packaging

5) New product development

6) Stages in the new product development

7) Stages in the new product development (Contd.)

8) Consumer adoption process.

9) Organising product and brand management.

INTRODUCTION

Any marketing programme should have two essential elements.

1) Product

2) Markets

In developing the market, the company produces the product to satisfy the wants of the market. we define product in the words of Philip kotler "a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.

Product planning includes all activites that enable a company to determine what products it will market. Activities like product research, engineering and design which product to be manufactured, more or few products, new uses for the product, branding, packaging and labelling, size, colour, materials, quantitites to be produced and the pricing.

A Product planner should understand the three levels of the product.

1) The most important level is the core product which the buyer is really buying.

2) The next level of product is tangible product which has the following five characteristics like.

a) Quality level b) Features c) Styling d) Brand name and e) Packaging.

3) Finally, the augmented product which offer the additional services and the benefits of a product.

Product hierarchy :

Every product is related to certain other products. In a Product hierarchy there are seven levels.

1) **Need family :** a core need.

2) **Product family :** all the product classes that satisfy the core need.

3) **Product class :** group of products within the product family with some functional coberence.

4) **Product line :** a group of products within a product class that function in a similar manner.

5) **Product type :** items within a product line.

6) **Brand :** the name associated with one or more items in the product line that is used to identify the item.

7) **Item :** a distinct unit within a brand or product line i.e, distinguishable by size, price, appearence, etc.

Product classifications :

According to the durability and tangibility, products can be classified as,

1) Non-durable goods are tangible goods that normally are consumed in one or few uses.

2. **Durable goods :** durable are tangible goods which are normally service many uses.

3. **Services :** services are activities, benefits or satisfaction that are offered for sale.

On the basis of consumer shopping habits, the goods can be classified into four.

1. **Convenlence goods :** Goods that the customer usually purchases frequently, immediately and with the minimum of effort in comparison and buying. Examples include tobacco products, soap and newspapers.

2. **Shopping goods :** Goods that the customer in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style. Examples, includes furniture clothing, used cars and major appliances.

3. **Speciality goods :** Goods with unique characteristics and / or brand indentification for which a significant group of buyers are habitually willing to make a special purchasing effort. Example would include specific brands and types of fancy goods, cars, hi-fi components, photagraphic equipment and men's suits.

4. **Unsought goods :** Goods that the consumer does not know about or knows about but does not normally think of buying. New products such as smoke detectors and food processors are unsought goods until the consumer is made aware. Life insurance, emetery plots, grave stores and encyclopaedies are some of the examples.

Products may also be divided into three types, viz

1. Consumer products.

2. Industiral products, and

3. Defence products, i.e. products which are used by the defence services.

The most popular classification, however, is to divide the products into.

(1) industrial goods and (2) consumer goods.

Industrial goods are defined by the American Marketing Association as, "goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumer".

Consumer goods are defined by the American Marketing Association as, goods destined for use by ultimate consumers or households and in such form that can be used without commercial processing management.

PRODUCT LIFE CYCLE (PLC)

To understand the product life cycle. one should know the demand for the technology life cycle. That demand cycle as the stages of emergence is followed by the stages of accelerating the growth, decelerating the growth, maturity and decline within a given demand the technology cycle so that that a succession of product form may appear.

The product life cycle as described for the demand technology life cycle is an attempt and recognise to distinct stages in the sales history of the product. This PLC as the following four assumptions.

a) Products have a limited life.

b) Products have to pass through distinct stages, each posing different challenges to the seller.

c) Product profit rise and fall at different stages of the PLC.

d) Product requires different marketing financial manufacturings purchasing and personnel strategies in the different stage of its life cycle.

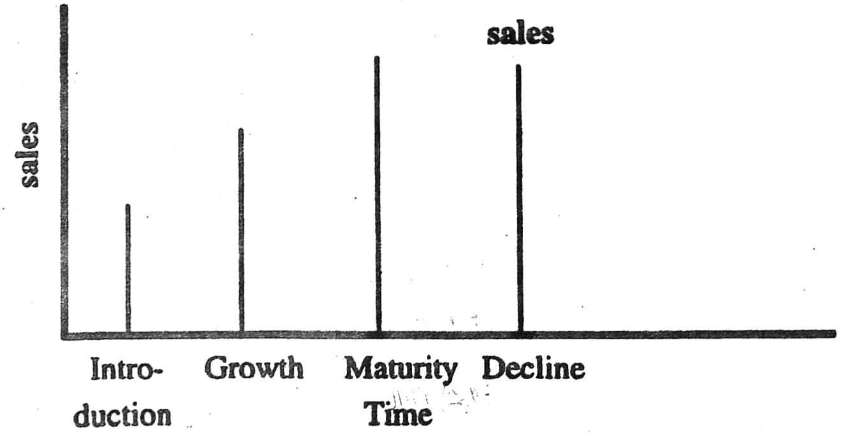

Fig. 1.

PLC as given in the above diagram has the following stages :

1. **Introduction** : A period of slow sales growth when the product is introduced in the market.

2. **Growth** : A period of speedier growth of the sales and considerable profit maximisation.

3. **Maturity** : A period of slow down in the sales growth because the product has attained acceptance by most of the buyers.

4. **Decline** : A period when sales come down severely when profits crode.

Not all products will be in the 'S' shaped PLC, They may be various types of patterns. The factors decide the patterns or the products acceptance, life of the company, utility value of the product profit decision, company's interest, etc.,

Marketing strategies in the introduction stage:

Considering the price and promotion management can follow one of the four strategies shown in Fig. 2

		Promotion High	Low
Price	High	Rapid Skimming	Slow-Skimming
	Low	Rapid Skimming	Slow-Skimming

a) A **rapid-skimming strategy.** It consists of launching the new product at high price and a high promotion level. It spends heavily on promotion to satisfy the market and charges a high price. This strategy has the following assumptions.

i) many potential buyers are unaware of the product.

ii) those become aware are eager to have the product and able to pay any price.

iii) the firm, meets with a heavy competition and builds up the brand preference.

b) **A slow-skimming strategy** : It consists of launching the new product at high price and low promotion. Here, the marketing expenses are low and the high price recover much gross protit. This strategy will work when

i) the market is limited in size.
ii) most of the people are aware of the product.
iii) the people are willing to pay the high price.
iv) the competition is not stiff.

c) **A rapid-penetration strategy** : It consists of launching the product at a low price and spending heavily on promotion. This will hold good when.

i) the market is large.
ii) the market is unaware of the product.
iii) most people are price conscious.
iv) strong competition.
v) the company's unit manufacturing cost fall.

d) **A slow penetration strategy** : It consists of launching the new product at a low price and at low level of promotion. The following are the assumptions of the strategy to work:

i) large market.
ii) market is aware of the product.
iii) price conscious people.
iv) potential competition.

B. **Marketing strategies in the growth stage:**

In this stage company uses the following possible strategies.

i) it improves the product quality and adds new product features.
ii) the company adds new model.
iii) It enters new market segment.
iv) it enters new distribution channel.

v) it shifts product awareness advertising and brings about product consciousnes.

vi) it lowers the prices at the right time to attract the next layer of price conscious buyers.

C. Marketing strategies in the maturity stage :

In the maturity stage many companies keep going for a long time. Marketeers should systematically consider strategies of market, product, and marketing mix, modifications.

Market modification : To expand the market for its brand companies should work with the number of brand users and the usage rate/user. The company can try to expand the number of brand users by converting the non-users or/and entering the new market segments or/and winning the competitor's customers.

To increase the annual usage of the brand, a company can try to set the customer to use the product frequently of more usage/occasion or it can discover new uses for the product.

Product modification : Managers can also try to change the product characteristies to attract new users. Quality can be improved by increasing the product durability saleability speed, taste, etc.

Features of the product can be improved by changing the size, weight, matrials, accessories, etc. Also a manager can imporve the style of the product by increasing aesthetic appeal of the product.

Marketing-mix modification : A product manager should also try to stimulate the sales through modifying the marketing mix elements like the price, distribution, advertising sales promotion, personal selling and the services.

D. Marketing strategies during the decline stage :

When the product gets aged, a company has 3 important decisions relating to the ageing process.

i) **Identifying the weak product** : For this step

a) the company should appoint a product review committee.

b) this committee should develop a system for identifying the weak product.

c) data is supplied from the controller's office.

d) A computer programme analyses and identifies the failing products.

e) those failing products are reported to the managers responsible

f) the product review committee makes the recommendation for allowing it to continue modifying its strategies or dropping it.

ii) **Determining the marketing strategies** : There are 5 strategies in declining the industries.

a) The company can increase its investment.

b) The company can maintain the investment level until the uncertainity resolves.

c) Decreasing the investment in some aspects and increasing investment in some other aspects.

d) Recovering the cash quickly.

e) Disposing the assets as advantagiously as possible.

iii) **Drop decision** : The company at the end should boldly take up the action of dropping the product when it no longer been the successful.

Obsolescence and fashion :

Nature of planned obsolescence :

The term planned obsolescence has been used to mean several different things.

1. Technological or functional obsolescence. Significant technical improvements result in a more effective product. For instance. jet engines made propeller-driven aircraft technologically obsolete. This type of obsolescence is generally considered to be socially and economically desirable.

2. Postponed obsolescence: Technological improvements are available but they are not introduced until the market demand for present models decreases and a new market stimulus is needed.

3. Style obsolescence. This is sometimes called "psychological" or "fashion" obsolescence. Superficial characteristics of the product are altered so that the new model is easily differentiated from the previous model. The intent is to make people feel out of date if they continue to use old models.

When people criticize planned obsolescence, they are usually referring to this last interpretation-style obsolescence. In our discussion, planned obsolescence will mean only style obsolescence, unless otherwise stated.

Nature of style and fashion :

Although the words style and fashion are often used interchangeably, there is a clear distinction between the two. A style is defined as a distinctive manner of construction or presentation in any art, product, or endeavor (singing, playing behaving).

A fashion is any style that is popularly accepted and purchased by several successive groups of people over a reasonably

long period of time. Not every style becomes a fashion. To be rated as a fashion, or to be called "fashonable" a style must become popularly accepted.

A fad normally does not remain popular so long as a fashion and it is based on some novelty feature.

Basic styles never change, but fashion is always changing.

Fashion-adoption process ;

The fashion adoption process reflects the concepts of (1) large group and small-group influences on consumer buying behavior and (2) the diffusion of innovation. People usually try to imitate others in the same social stratum, or those on the next higher level. They do so by purchasing the fashionable product. This shows up as a wave of a buying in that particular social stratum. The fashion-adoption process then is a series of buying waves that arise as the given style is popularly accepted in one group then another and another, until in finally falls out of fashion. This wavelike movement' representing the intreduction, rise popular culmination and decline of the market's acceptance of a style, is referred to as the fashion cycle.

Three theories of fashion adoption are recognized.

1. Trickle-down, where a given fashion cycle flows downward through several socioeconomic classes.

2. Trickle-across, where the cycle moves horizontally and simultaneously within several social classes.

3. Trickle up, where the cycle is iniliated in lower socio-economic classes, then later the style becomes popular among higher income and social groups.

Traditionally, the trickle-down theory has been used as the basic model to explain the fashion-adoption process. As an example, designers of women's apparel first introduce a style to the leaders, the tastemakers who usually are the social leaders in the upper income brackets. If they accept the style, it quickly appears in leading fashion stores. Soon the middle income and then the lower-income markets want to emulate the leaders, and the style is mass-marketed. As its popularity wanes, the style appears in bargain-price stores and finally is no longer considered fashionable.

Marketing considerations in fashion ;

When a firm's products are subject to the fashion cycle, management must know what stage the cycle is in at all times. They must decide at what point to get into the cycle and when they should get out.

Accurate forecasting is of inestimable value inachieving success in fashion merchandising. This is an extremely difficult task however, because the forecaster is often dealing with complex sociological and psychological factors. Frequently a retailer or a manufacturer open ares largely on intuhition and inspiration tempered by consider able expenence.

The executive also must know what market they are aiming for. Ordinarily, a retailer cannot successfully participate in all stages of the fashien cycle at the same time. A high-grade speciality store selling apparel whose stocks are displayed discreetly in limited numbers without price tags-will want to get in at the start of a fashion trend. A department store appealing to the middle-income market will plan to enter the cycle in time to mass-market the style as it is climbing to its peaks of popularity.

Evaluation of planned obsolescence :

Style obsolescence is one of the most controversial aspects of modern marketing. As is true of most complaints against

marketing much of the criticism of style obsolescence is neither true nor false. One criticism is that fashion designers are disctators (especially in women's ready-to-wear), and that people buy whatever the designers decree will be fashionable. This is true only in a very superficial sense. The designers themselves obey many masters. First and foremost the designs must be profitable to the manufacturer. Also, the designers are controlled by established customs and cannot depart too far from it. A designer just cannot combat a firmly established fashion trend.

Supporters of the strategy of style obsolescence point out that it satisfies the consumers desire to have something new. It also maintains our economy at a higher level than would be possible if consumers used a product until it wears out physically Further more people who cannot afford to buy say, new automobiles or appliance, have an opportunity to satisfy their wants for these products by purchasing used models. These would not be avaiable if other consumers had not traded in their older models when acquiring the latest ones.

Planned obsolescence both functional and style is a characteristic of a free and expanding economy controlled by the state or by cartels, product obsolescence and innovation are likely to take place slowly.

No matter how marketing people try to answer the criticisms, many individuals including business people, still have a nagging conscience about style obsolescence. Two basic issues seem to keep coming up. First, does our prevailing system of style obsolescence make sensible use of our resources and productive capacity? The second, and related issue concerns whether planned obsolescence results in an artificially short life for the produts, thus creating some sort of disutility. One cannot help asking why markets can not be just as aggressive with functions of innovation as they are with superficial styling and prestige appeals.

PRODUCT MIX DECISIONS

A product mix is defined as follows :

"A product mix is the set of all product lines and items that a particular seller offers for sale to buyers".

The width of the product mix refers to the number of product lines in the company.

The length of the product mix refers to the total number of items in the product mix.

The depth of the product mix refers to the number of variants offered of each product in the line. The consistency of the product mix refers to the closeness of the various product lines in end use, production requirements, distribution channels, etc.,

A product mix is made up of a various product lines.

A product line is defined as follows :

Product line is a group of products that are closely related because teak funotion in a similer manner, are sold to the customer and groups marketed through the same types of outlets or fall within given price ranges.

Positioning of the product :

Company's profits depends on managements ability to position a product apprechlarely to the market. A products position is the image that the product projects in relation to comparitive products and to other products marketed by the same company.

The following are the strategies for positioning the product:

1. ***Positioning relation to a competitor*** : Here products are best positioned directly against the competition. Sometimes not facing head-to-head competition itself is a fight positioning.

2. ***Positioning by product attribute*** : Here a company can associate its product with come product feature or customer benefits like economy, reliability taste etc.,

3. ***Positioning by price and quality*** : Company can also choose the position, the product fixing, the price and the quality low, high or in any matrix formations.

4. ***Positioning in relation to product use*** : Positioning can also be done emphasising the utility value of the product.

5. ***Positioning in relation to the target market*** : Here the company can choose the target market and introduce the product to satisfy the target people.

6. ***Positioning in relation to a product class*** : Sometimes company can position associating its product with the common class of products like of salt, co cola, etc.,

Prodcut - line decisions :

Product - line analysis : Product-line managers have two important intermation needs. First, they must know the sales add profits of each item in the line. Second, they must know how their product line compares with competitor's product lines in the same markets.

Product - line sales and profits : Each item in a product line contributes differently to toal sales and profits. The product - line manager needs to know - the percentage of total sales and profits contributed by each item in the line.

Product - line market profile : The product - line manager must also review how the product line is positioned against competitors' product lines.

Product - line length : One of the major issues facing product - line managers is the optimal length (the numebr of items) of the product line. The line is too short if the manager can increase profits by adding items, the line is too long if the manager can increase profits by dropping items.

The issue of product - line length is influenced by company objectives. Companies that want to be positioned as full-line companies and/or are seeking high market share and market growth will carry longer lines. They are less concerned when some items, fail to coctribute to profits. Companies that are keen on high profitability will carry shorter lines consisting of 'cherry-picked".

Product lines tend to lengthen over time. Excess manutacturing capacity will put pressure on the product-line manager to develop new items. The sales force and distributors will also pressure for a more complete product line to satisfy their customers. The product-line manager will want to add items to the product line in pursuit of greater sales and profits.

Line-stretching decision : Every company's product line cover's a certain part of the total range offered by the industry as a whole

Downward stretch : Many companies initially locate at the high end of the market and subsequently stretch their line downward.

A company might stretch downward for any of the following reasons :

a. The company is attacked at the high end and decides to counterattack by invading the low end.

b. The company finds that slower grwoth is taking place at the high end.

c. The company initialy entered the high end to establish a quality image intended to roll downward.

d. The company adds a low-end unit to plug a market hole that would otherwise attract a new competitors.

Upward stretch : Companies in the lower end of the market might contemplate entering the higher end. They may be attracted by a higher growth rate, higher margins, or simply the chance to position themselves as full-line manufacturers.

An upward-stretch decision can be risky. Not only are the higher-end competitors well entrenched, but they may counter attack by entering the lower end of the market. Prospective customers may not believe that the newcorner can produce quality products. Finally, the company's sales representatives and distributors may lack the talent and training to serve the higher end of the market.

Two way stretch : Companies in the middle range of the market may decide to stretch their line in both directoas.

Line filling decision : A product line can also be lengthened by adding more item within the present range of the line. There are several motives for line filling reaching for incremental profits; trying to untilize excess carpacity: trying to be the leading full-line company: and trying to plug holes to keep out competitors.

Line filling is overdone if the results in customer confusion. The company needs to differentiate each item in the consumer's mind. Each item should possess a just noticeable difference. According to Weber's law, customers are more attuned to relative than to absolute difference. They will perceive the difference between boards two and there feet long and boards twenty and thirty feet long, but not between boards twentynine and thirty feel long. The company should make sure that-new product items have a noticeable difference.

Line - modernization decision : In some cases, product-line length is adequate, but the line needs to be modernized.

The issue is whether to overhaul the line piecemeal or all at once. A piecemeal approach allows the company to see how customers and dealers take to the new style before chancing the whole line. Piecemeal modernization is that it allows compeitiors to see changes and start designing their own line.

In rapidly changing high tech products, product modernization is a must.

Line featuring decision : The product line manager typically selects one or a few items in the line to feature Sometimes, manager feature promotional models at the low end of the line to serve as 'traffic builders".

Line-pruning decision : Product-line managers must periodically review items for pruning. There are two occasions for pruning. One is when the product line includes deadwood that is depressing profits. The weak items can be identified through sales and cost analysis. The other occasion for product pruning is when the company lacks production capacity to produce all of the the items demanded in their desired quantities. The manager should examine the : Profit margins and concentrate on producing the higher-margin items, dropping some of the low margin or losing items. Companies typically shorten their lines in periods of tight demand and lengthen their lines in Periods of slow demand.

Individual product - decisions :

Product-attribute decisions - The process of developing a product concept invloves defining the benefits that a product will offer. The benefits are communicated and delivered by tangible Product attributes, such as quality, features, and designt. These attributes must be modified over the Product's cycle to remain competitive.

To improve sales of profits, the quality might be raised or lowered, features might be added or withdrawn and the styling might be changed. We want to look at the issues involved in decision.

Product quality : The theme of quality has become extremely important to consumers and companies. American consumers have been impressed with the product quality round in Japanese autos and electronics and in European apparel, and food.

Quality is also communicated through other elements of the marketing mix. A high price usually signals premium quality product by buyers. The product's quality image is also affected positively or negatively by the packaging distribution, advertising or promotion. Here are some cases where a brand's quality image is affected.

A) A well-known brand of frozen food lost its elieutele by being put on side too often.

b) A premium been hurt its image when it switched from bottles to cans.

c) A highly regarded brand of television receiver lost its quality image when mase merchandise outlets started to carry it. Thus the quality of the packaging, channels, promotion, and so on, must collectively communicate and support the brand's image.

Product features : Any product can be offered with varying features. A "stripped down or "bone' model is the starting point, one without any "extras". The company can create higher-level models by adding one more features. In the case of an automobile the buyer can order electric window, automatic transmission, air conditioning, stereo radio and so on. The automobile manufacturer needs to decide which standard features to offer and which to make optional. Each feature has a chance of capturing the fancy

of additional buyers. Features are a competitive tool for differeentiating the company's product from competitors products. Some companies are extremely innovative in adding new features to their product.

Product design : Another way is to add product distinctiveness through design. Some companies have outstanding reputations in design distinctiveness.

Design is larger concept than style. Style describes the appearence of a product. A. camera can be done in metal or plastic, look plain or high-tech be black or any otehr çolor. Style can be eye-catching or yawn producing. A great or unusual style will grab attention. But this does not mean that an attractive style contributes to the products, performance and in some cases it might even impair the product's performance. A chair may look sensational and be extremely uncomportable.

This is where design comes in, Design follows the maxim "for follows function" Bold design contributes to a product's usefulness as well as its attractiveness. In fact a good designer considers functionality, aesthetics, human factors (ergonomics), ease of service and repair, ease of manufacture, and costs of materials and tooling.

Unfortunately, many managers confuse style with design and under invest in one or both. Numbers-oriented managers resist investing in anything as nebulous as design. Some designers are to blame because they do not pay sufficient attention to cost or they produce designs that are too novel for the market to accept. A design audit instrument to measure a company's design senstitivity and effectiveness would help management gauge whether it is adding value through design.

Trading up and trading down :

As product strategies, trading up and trading down involve' essentially, an expansion of the product line and change in product positioning. Trading up means adding. A higher priced, prestige product to a line in the hope of increasing the sales of existing lower-priced products.

When a company embarks upon a policy of trading up, at least two avenues are open with respect in promotional emphasis. 1) The seller may continue to depend upon the holder, lower-priced product for the bulk of the sales volume and promote the sales, and (2) the seller may gradually shift promotional emphasis to the new product and expect it to produce the major share of sales volume In fact, the lower-priced line may be dropped altogether after a transition period.

A company is said to be *trading down* when it adds a lower-priced item to its line of prestige products The comapny expects that people who cannot afford the original product will want to buy the new one because it carries some of the higher priced good.

Trading up and trading down are perilous strategies because the new product may simply confuse buyers, so that the net gain is negligible. Not is any useful purpose served if sales of the new item are generated at the expense of the older products. When trading down is used the new article may parmanently hurt the firm's reputation and that of its establihed high-quality product.

In trading up on the other hand, the seller's major problem is to chaage the firm's image enough so that new customers will ascept the new higher priced product. At the same time, the seller does not want to lose its present customers. The real risk is that the company will lose both customer groups through this change

in its product positioning : The former customers may become confused because the company has clouded its image; and the new target market may not believe that the company is marketing high-quality merchandise.

Product differentiation and market segmentation ;

Product differentiation and market segmentation are two related product stregies. They may be employed by firms who wish to engage in non-price competition in markets characterized by imperfect or monoplistic competition.

Differentiation :

Product differentiation involves promoting an awareness of differences between one company's product and those of competitors. The strategy is used so that a company can remove itself from price competition. If it works the company can compate on the nonprice basis that its product is different from or better than competitors products. Sometimes a company will differentiate the design of the product or the only differentiation may be in the brand or packaging Frequently two products are virtully identical in a physical and chemical sense the difference between them is trivial and sometimes only paychological. This strategy is often used by companies selling reasonably standardized products such as soad cigarettes or toothpaste to abroad market that is fairiy homogeneous in its demand for the given item.

In the language of econemic theory, the seller (product-differentiator) assumes that there is a single demand curve for its product. Any variations in the wants of individual consumers regarding that product will be offset by extensive promotion that emphasizes the product's broad market appeal.

Inexorable market pressures work against the seller that attempts to expand a firm's market by using the strategy to

product differentiation. The broader the market the more difficult it becomes to satisfy all consumer's wants with the single product Any competing product is apt to satisfy more precisely the wants of some group in this broadened range of consumers. The seller must then resort to increased promotional expenditures or reduced prices, or both, in attempting to offset, the facs that some consumers prefer variations of one sort or another in the product.

Segmentation :

In employing the strategy of market segmentation, a seller recognizes that a firm's total heterogeneous market is made up of many smaller homogeneous segments. Each of these smaller segments has a different sets of wants, motivations, and other characteristics. The market is seen as a series of demand curves rather than the single curve of product differentiation.

Market segmentation attempts to penetrate a limited market in depth, whereas product differentiation seeks breadth in a more generalized market.

A firm may first employ the market segmentation but soon be forced by competition to combine that strategy with product differentiation. A firm that makes electric razors may divide the market into two segments men and woman-and then develop separate products to meet the specific wants of each segment. Eventually, the women's segment will be recognized as a separate market by this firm's competitors, each of which will bring out on electric razor for women. Soon all these sellers will have to resort to differentation to maintain their separate identities. Thus, any given segmentation of a market is a transitory phenomenon, and compettive conditions force sellers constantly to seek new ways of segmenting their markets.

BRANDING AND PACKAGING

In developing a marketing strategy the issue of branding is very important. A brand is a name, term, symbol or special design or some combination of these elements that is intended to identify the goods or services of one seller or a group of sellers. A brand differentiation means one product or service differing from that or competitors.

The brand name consists of words, letters and or numbers that can be vocalized.

A brand mark is the part of the brand that appears in the form of a symbol, design or distinctive colouring or lettering.

A trade mark is a brand that is given legal protection.

Significance of branding :

Brands make it easy for consumers to identify products or services. For sellers brands can be used in the advertisements and will be recognized when displayed on shelves. Branding avoids confusion in the minds of the people, reduces price comparisons because it is difficult to compare on two items with different brands.

Characteristies of a good brand:

The following are the important characteristics of a good brand.

1. The brand should suggest something about the products' characterisitics-its benefits use or action.

2. The brand should be esay to pronounce spell and remeber.

3. The brand should be distinctive.

4. It should be adabtaple to new products that may be addted to the product line.

5. It must be capable of being registered and legally protected under the law.

Brand policies and strategies :

1. Manufacturers strategies :

a) Marketing entire output under manufacturer's own brands : Well financed and well managed companies market their output under their own brands.

b) *Branding of fabricating parts and materials* : Some producers will brand their industrial fabricating parts and thereby develop a market preference for its branded part.

c) *Marketing under middlement's hands* : Manufacturers can also follow a strategy to brand part or all of their output with the brands of their middlemen customers. Manufacturers in this case can utilise their production resources more effectively.

2. Middlemen's strategies :

There are two strategies for the middlemen. Carry only manufacturers brands or carry middlemens brands along with manufacturers brands.

Also sometimes branding can be done for the whole line of products as a family brand or separate names of company's trade name may be combined with individual name of the product.

Finally depending on the market saturation a company can employ a multiple brand strategy. A multibrand strategy meass the seller develops two or more brands in the same product category

Packaging :

Packaging may by defined as all the activities involved in designing and producing the container or wrapper for a product. There are three for packaging.

1. It serves safety and utilitarian purposes i.e. it reaches the hands of the customer from the producer with some protection Also, packaged goods generally are more convenient, cleaner and are not affected by evaporation, spoilage, etc.

2. Packaging may implement a company's marketing programme. It helps to identify a product prevents substitution of competitive goods. By right packaging the firm can differentiate its product. Some features of the package may also serve as a sales appeal.

3. Management can also package its product in order to increase profit possibilities. An attractive package will get the attention of large buyers.

Packaging strategies :

1. ***Charging the package :*** Management can consider a package change on two reasons. One is to fight with the increase in sales and the next one to expand the market by attracting new groups of customers. More interestingly company can change the containar to take advantage of new materials.

2. ***Packaging the product line :*** Company may think of developing a family resemblance in the packaging of its several products. Family packaging involves the use of identical packages for all products or the use of packages with some common leature. This family packaging should be used only when the products are related in use and are of similar quality.

3. ***Refunse packaging:*** Company can design a package that can serve other purposes after the original contents are consumed. It will increase repeat purchases to acquire a matching set of containers.

4. ***Multiple packaging :*** This is practiced by placing several units in one container.

NEW PRODUCT DEVELOPMENT

A company can add new products in two ways: acquisition and new-product development. The acquisition route can take three forms. The company can search for and buy other companies. The company can buy patents from other companies. Or the company can buy a license or franchise from another company to make that company's products or services. In all three cases the company does not develop new products but simply acquires the right to existing ones.

The new-product route can take two forms. The company can develop new products in its own laboratories. Or it can contract with independent researchers of new-product-development agencies to develop specific products for the firm.

Many companies pursue growth through both acquisition and new-product development. Their management feels that the best opportunities might lie in acquisition at certain times and new-product development at other times and they want to be killed at both.

Booz Allen and Hamilton identified six categories of new products in terms of their newness to the company and to the marketplace. The categories are.

1. **New-to the-world products** : New products that create an entirely new market.

2. **New-product lines** : New products that allow a company to enter an established market for the first time.

3. **Additional to existing product lines** : New products that supplement a company's established product lines.

4. **Improvements in revisions to existing products :** New products that provide imporved performance or greater perceived value and replace existing products.

5. **Repositioning :** Existing products that are targeted to new markets or market segments.

6. **Cost reductions :** New products that provide similar performance at fewer cost.

A company usually pursues a mix of these new products.

Why do many new products fail? There are several factors. A high-level executive might push a favorite through inspite of negative marketing research findings. Or the idea is good, but the market at size is overestimated. Or the actual product is not designed as well as it should be. Or it is incorrectly positioned in the market, not advertised effectively, or overpriced. Sometimes, new product development costs are higher than expected, or the competitors light back harder than expected.

Successful new-product development may even be more difficult to achicve in the future for the following reasons.

1. **Shortage of important new-product ideas in certian areas :** Some scientists think there are too few fessible new technologies with the investment potential that was provided by automobiles, television, computers, xerography, and wonder drugs in times past.

2. **Fragmented markets :** Keen competition is leading to increasingly fragmented markets. Companies have to aim new products at smaller market segments rather than the mass market and this means lower sales and profits for each product.

3. **Social and governmental constrains :** New products have to satisfy public interest criteria such as consumer safety and ecological compatibility. Govt requirements have slowed down innovation in

the drug industry and have complicated product-design and advertising decisions in such industries as industrial equipment, chemicals, automobiles, and toys.

4. Costliness of the new-product development process : A company typically has to generate many new-product ideas in order to finish with a few good ones. Furthermore, the company has to face rising R & D, manufacturing, and marketing costs.

5. Gaptial shortage : Some companies with good ideas can not raise the funds needed to research them, Venture capital has in recent years, become much more cautions.

6. Shortenend time span to compleion : Many competitors are likely to get the same idea at the same time, and the victory often goes to the swiftest. Alert companies have to compress development time, by using computer aided design and manufacturing techniques, joint partners, early concepts test and advanced marketing planning. Japanese companies see the challenge as "achieving better quality at a cehaper price at a faster spped than competitors:.

7. Shorter life for successful products : When a new product is successful rivals are to quick imitate it that the new product's life eycle is considerably shortened.

Organizing :

Top management is ultimately accountable for the new-product success record. It cannot only ask the product manager to come up with great ideas. New-product development work requires top management to define the business domains and product categories that the company wants to emphasize. In one food company, the new-product manager spent thousands of dollars researching a new snack idea only to hear the president say "Drop it, we don't want to be in the snack business".

Top management must establish specific criteria for new-product idea acceptance especially in large multi-divisional companies where all kinds of projects bubble up as favorites of various managers.

Key findings on new - product - management activity :

Here are some key findings from a Booz Allen and Hamilton Study of new product-management activity. The information comes from a mail survey of seven hundred condred and industrial companies and lengthy interviews with 150 new product executives.

1. Management achieved success with 65 percent of the products they launched.

2. Companies were able to develop one successful product out of every seven they researched.

3. Ten percent of the new products were "new to the world" and 20 per cent were "new-product lines". Yet these high risk products represented 60 per cent of the most successful new products.

4. New - product spending had become more efficient, in that successful entries accounted for 54 percent of total new-product expenditure, up from 30 per cent in 1968.

5. Successful new - product companies don't spend more on R&D and marketing, as a percentage, of sales than unsuccessful ones.

6. The median company introduced 5 new products in the period 1976-1981 : the number is expected to double over the next five years.

7. Managers expect new products to incraese company sales growth by one-third over the next five years, while the portion.

of total company profits generated by new products is expected to be 40 percent.

A key factor in new-product - development work is to establish effective organizational structures. Companies handle new product development in several ways:

1. **Product managers** : Many companies assign responsibility for new-product ideas, Product managers are usually so busy managing their product lines that they give little thought to new products other than brand modifications or extensions ; they also lack the specific skills and knowlege needed to critique and develop new products.

2. **New product managers** : General Foods and Johnson & Johnson have new-product managers who report to group-product managers. This position profeseionalizes the new-product function. On the other hand, new-product managers tend to think in terms of product modifications and line extensions limited to their product market.

3. **New product committees** : Most companies have a high-level management committee charged with reviewing and approving new-product proposals.

4. **New-product departmetns** : Large companies can establish a new-product departmetn headed by a manager who has substantial authority and access to top management. The department's major responsibilities include generating and screening new ideas, working with the R & D department and çarrying out field tesing and commercialization.

5. **New product venture teams** :The 3 M Company, Dow, Westing-house, and General Mills often assign major new product develop-

ment work to venture teams. A venture team is a group brought together from various oparating department and charged with bringing a specific product or business into being. They are "intrapreneurs" relieved of their other duties given a budget, a time frame and a "skumkworks" setting.

Manufacture's criteria for new sproduct :

When should a proposed new product be added to a company's existing product assortment? Here are some guidelines that some manufacturers use in answering that question.

1. There should be an adequate market demand. This is by far the most important criterion to apply to proposed product. Too often, management begins with a question such as, "Can we use our present sales force? or "Will the new item fit into our production system? The basic question is, "Do enough people really want our product? Administrators should try to get quantitative measures of the size and composition of the potential market.

2. The product must be comparable with current environmental and social standards Do the manufacturing processes heavily pollute air or water (as steal or papermills do? Will the use of the finished product be harmful to the environment (as automobiles are) After being used, is the proudct harmful to the environment Does the product has recycling potential.

3. The product should fit into the company's present marketing structure. The general marketing experience of the company is important herer Sunbeam, Corporation would probably find it easy to add another kitchen applicance to its line whereas paint manufacturers would find it quite difficult to add margarine to theirs. More specific questions may also be asked regarding the marketing fit of new products: can the existing sales force be used? Can the present channels of distribution be used?

4. A new-product idea will be more favorably received by management if the item fits in with existing production facilities about power, and management capabilities.

5. The product should fit from a financial standpint. At least three questions should be asked. Is adequate financing available? Will the new item increase seasonal and cyclical stability in the firm? Are the profit possibilites worthwhile?

6. There must be no legal objections Patents must be applied if or labeling and packaging in existing regulations and so on.

7. Management in the company must have the time and the ability to deal with the new product.

8. The product should be in keeping with the company's image and objectives A firm stressing low priced high-turnover products normally should not be produced and an item that suggests prestige or status.

Middleman's criteria for new products

When retailers or wholesalers are considering whether to take on a new product they should use all the above critia except those related to production, In addition, a middeman should cosnider.

1. The relationship with the manufacturer : the manufacturer's reputation, the possibility of getting exclusive sales rights in a given geographic territory, the type of promotional help given by the manufacturer, and soon.

2. **Instore policies and practices** : What type of selling effort is requirad for the new product? How does the proposed product fit with store policies regarding repair service alterations (for clothing) credit, and delivery?

Why new products fail or succeed? :

Why do some products fail while others succeed? In the various research studies regarding this question, we find some consistently recurring themes. The key reasons typically cited for the failure of new products are as follows :

1. Poor marketing research. Misjudging what products the market wanted. Overstimating potential, sales of the new product and lack of knowledge of buying motives and habits.

2. Technical problems in the new product's design or in its production. Poor product quality and performance; products that were too complicated; and especially products that did not offer any significant advantage over competing items already on the market.

3. Poor timing in product introduction : Delays in bringing the product to the market or conversely, rushing the product too quickly to the market.

4. Other poor management practices: Lack of a well-defined new-product strategy; lack of a strong long-term conmitment by top management to new product development ineffective organization for new-product development.

Now, let us look at the good new corrective actions to remedy these deficieneies have increased the sytremization and effectivess of the new product development process Specifically we can atribute new-product success to these product factors and management characteristics.

1. The product satisfies one or more market needs.

2. The product is technologically superior, and it enjoys a competitive cost advantage.

3. The product is compatible with the company's internal strengths in key functional areas such as selling, distribution and production.

4. Top management makes a long term commitment to new product development. The experience thus gained enable management to improve its performance in introducing new products over a period of years.

5. Strategies for new products are clearly defined. They enables company to generate and select new products that specifically meet internal strategic needs and external market needs.

6. There are an effective organization and a good management style the organization srtucture is consciously established to proment new-product development. The managemtn style encourages new-product development and can adjust to changing new-product opportunities.

One authority on new-products oberved that in the history of every successful product he studied, he always found at least one of these advantages a product advantage, a marketing advantage, or a creative advertising advantage. Without at least one of these it appeared there simply was on chance for success.

STAGES IN THE NEW PRODUCT DEVELOPMENT

Eight stages are involved in the new product development. They are: idea generation, screening, concept development and testing, marketing strategy business analysis, product development, market testing, and commercialization.

Idea generation :

The new product-development process starts with the search for ideas. The search should not be casual. Top management should define the products and markets to emphasize. It should the new-product objective whether it is high cash flow, market-share domination, or some otehr objective. It should state how much effort should be devoted to developing original products, modifying existing products, and copying campetitors products.

Sources of new produce ideas :

New product ideas can come from many sources : customers scientists, compeitors, company sales people, channel members, and top management.

The marketing concept suggests that customers' needs and wants are the logical place to start in the search for new-products ideas. Hippel has shown that the highest percentage of ideas for new industrial products originate with customers. Companies can identify-customers' needs and wants through direct customer surveys projective tests; focused group discussion and suggestion and complaint letters from customers. Many idea hunters find the best ideas by asking custemers to describe their problems with current products rather than by asking them for new-product ideas directly

Technical companies rely on their scientists for new-product ideas.

Companies can find new ideas by monitoring their competitors, products. They can learn from distributors, suppliers, and sales representatives what competitors are doing. They can find out what customers like and dislike in their competitors, new products. They can buy their competitors, products, take them apart, build better ones. Their competitive strategy is one of product imitation and improvement rather than product innovation. The Japanese are masters of this strategy in that they have licensed or copied many western products and found ways to improve them.

Company sales representatives and middlemen are a particularly, good source of new-product ideas. They have firsthand exposure to customer's needs and complaints. They are often the first to learn of competitive developments. An increasing number of companies are training and rewarding their sales representatives distributors, and dealers for finding new ideas.

Top management can be another major source of new-product ideas.

New-product ideas can come from other sources as well, including inventors, patent attorneys, universty and commercial laboratories, industrial consultants, advertising agencies, marketing research firms and industrial publications.

While ideas can come in from many sources, their chance of receiving serious attention often depends on someone in the organization taking the role of product champions. Unless someone is personally enthusiastic about the product idea and willing to advocate it strongly, the idea is not likely to receive serious consideration.

Idea generating techniques :

Really good ideas come out of inspiration, perspiration, and techniques. A number of "creativity" techniquest can help individuals and groups generate better ideas.

Attribute listing : This technique calls for first listing the major attributes of an existing product and then modifying each attribute in the search for an imporved product. Consider a screw driver. Its attributes, a round, steel shank; a wooden chandle, manually operated; and torque provided by twisting action. Now a group is asked to propose attribute modifications to improve product performance or appeal. The round shank could be made hexagonal so that a wrench could be applied to increase the torque; electric power could replace manual power, the torque could be produced by pushing. Osborn suggested that useful ideas can be stimulated by putting the following questions to an object and its attributes: put to other uses? adapt? magnify? minify? substitute? rearrange? reverse? combine?

Forced relationships : Here, several objects are listed, and each object is considered in relation to every other object. Recently an office-equipment manufacturer wanted to design a new desk for executives. Several objects were listed-a desk, television set, clock, computer, copying machine, bookcase, and so on. The result was a fully electronic desk with a console resembling that found in a pilot cockpit.

Morphological analysis : Morophology means structure, and this method calls for identifying the structural dimensions of a problem and examining the relationships among them, suppose the problem is described as that of "getting something from one place to another via a powered vehicle.

Need problem identification : The preceding creativity tecniquest do not require consumer input to generate ideas. Need/problem identification on the other hand, starts with the consumer. Consumers are asked about needs problems, and ideas.

Brainstorming : Group creativity can be stimulated through brainstorming a technique developed by Alex Osborn. Brain-storming sessions are held when a company needs a lot of ideas. The usual group consists of six to ten people, it is not a good idea to include too many experts in the group, because they tend to took at a problem in a rigid way. The problem should be specific. The sessions preferably held in the morning, should last about an hour. Osborn laid down four guidelines :

1. Criticism is ruled out. Negative comments on ideas must be with held until later.

2. Freewheeling is welcomed. The wilder the idea the better; it is easier to tame down than to think up.

3. Quantity is emcouraged. The greater the number of ideas, the more the likelihood of useful ideas.

4. Combining and improving ideas is encouraged. Participants should suggest how ideas of others can be joined into still newer ideas.

Synecties : William J.J. Gordon felt that Osbor's brainstorming session produced solutions too quickly, before a sufficient number of perspectives had been developed. Gorbon decided to define the problem so broadly that the group would have no linking of the specific problem.

Gordon described five principles underlying the synectics method:

1. Deferment. Look first for viewpoint rather than solutions.

2. Autonomy of object. Let the problem take on a life of its own.

3. Use of the common place. Take advantage of the familar as a spring-board to the strange.

4. Involvement / detachment. Alternate between entering into the particulars of the problems and standing back from them, in order to see them as instances of a universal phenomenon.

5. **Use of metaphor.** Let apparently irrelevant accidental things suggest analogies that are sources of new viewpoints.

Idea screening :

The purpose of the idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce the number of ideas to an attractive practicable few. The first idea-pruning stage is screening.

In screning the ideas, the company must avoid two types of errors. A DROP-error occurs when the company dismisses an otherwise good idea. The easiest thing to do is to put down other people's ideas.

If a company makes too many DROP-errors, its standards are too conservative.

A Go-error occurs when the company permits a poor idea to move into development and commericialization. We can distinguish three types of product failures that ensure an absolute product failure which loses money. Its sales do not cover variable costs. A partial product failure loses money, but its sales cover all the variable costs and some of the fixed costs. A relative product failure yields a profit but one that is less than the company's normal or target rate of return.

The purpose of screening is to spot and drop poor ideas as early as possible.

Product-idea rating devices :

Most companies require their executives to write up new-product ideas on a standard from that can be reviewed by a new-product committee. The write-up describe the product ideas the target market and the competition, and it roughly estimates

the market size, product price, development time and costs, manufacturing costs, and rate of return.

Concept development and testing :

Attractive ideas need to be developed into finer product contents if they are to be tested. We can distinguish between a product idea, a product concept, and a product image. A product idea is an idea for a possible product that the company can see offering to the market. A product concept is an elaborated version of the idea expressed in meaningful consumer terms. A product image is the particular picture that consumers acquire of an actual or potential product.

Concept of development :

We will illustrate concept development with the following situation A large food processor gets the idea of producing a powder to add to milk to increase its nutritional level and taste. This is a product idea. Consumers however do not buy product ideas; they buy product concepts.

Any product idea can be turned into several product concepts First, the question can be asked, who is to use this product? The powder can be aimed at infans, childran, teenagers, young or middle aged adults or senior citizens Second What primary benefit should be built into this product? Taste, nutrition refreshment energy? Third What is the primary occasion for this drink? Breakfast midmorning Inch midafternoon, dinner, late evening? By asking these questions, a company cna form sevral product concepts.

a) **Concept** 1. An instant brackfast drink for adults who want a quick nutritional breakfast without preparing a brackfast.

b) **Concept** 2. A tasty snack drink for children to drink as a midday refreshment.

c) **Concept 3.** A health supplement for senior citizens to drink in the late evening before retiring.

Concept positioning :

Each concept requires positioning so that its real competition can be understood. An instant breakfast drink would compete against becon and eggs, breakfast, cereals, coffee and pastry, and other breakfast alternatives. A tasty snack drink would compete against soft drinks, fruit juices and other tasty thirst quenchers. The product cocept and not the product idea, defines the prodcut's competition.

Concept testing :

Concept testing calls for testing these concepts with an appropriate group of target consumers. The concepts may be presented symbolically or physically. At this stage, a word and/or picture description suffices, although the reliability of a concept test inareces the more concrete and physical the stimulus. The consumers are presented with an elaborated vaersion of each concept.

Marketing strategy development :

The new product manager will have to develop a preliminary marketing-strategy statement for introducing this product into the market. The marketing strategy will undergo further refinement In sub-equent stages.

The marketing-strategy statement consists of three part. The first part describes the size, structure and behaviour of the target market, the planned product product positining and the sales market share and profit goals sought in the first few years. The second part of the marketing strategy statement outlines the products planned price, distribution strategy, and marketing budget for the first year.

The third part of the marketing-strategy statement describes the planned long-run sales and profit goals and marketing-mix strategy over time.

BUSINESS ANALYSIS

Once management develops the product concept and a marketing strategy it can evaluate the business attractiveness of the proposal. Management must review the sales, cost, and profit projections. It they do so, the product concept can move to the product - development stage. As new information comes in, the business analysis will undergo further revisions.

Estimating sales :

Management need to estimate whether sales will be high enough to return a satisfactory profit to the firm. Management should examine the sales history of similar products and should survey market opinion. Ultimately management should prepare estimates of minimum and maximum sales to learn the range of risk.

Sales estimation methods depend on whether they deal with a one time purchased product an infrequently purchased product, or a frequently purchased product.

Estimating firse-timt sales : The first task, regardless of the type of product is to estimate first-time purchases of the new product in each period.

Estimating replacement sales : To estimate replacement sales, management has to research the survival-age distribution of its product. The low end of the distribution indicates when the, first replacement sales will take place. The actual timing of replacement will be influenced by the constomer's economic outlook, cash flow, and product alternatives as well as the company's prices, financing

terms and sales effort Since replacement sales are difficult to estimate before the product is in actual use-some manufacturers base their decision to launch a new product sale on their estimate of first-time sales.

Estimating repeat sales : For a frequently purchased new product the seller has to estimate repeat sales as well as first-time sales. That is because the unit value of frequently purchased products is low, and repeat purchases take place soon after the introduction.

Estimating costs and profits : After preparing the sales forecast management can estimate the expected costs and profits of this venture. The costs are estimated by the R & D. manufacturing, marketing and finance departments.

Produce development :

If the product concept passes the business test, it moves to R & D and/or engineering to be developed into a physical product. Up to now, it has existed only as a word description, a drawing, or a very crude idea. This step calls for a large jump in investment which thwarts the idea evaluation costs incurred in the earlier stages. This stage will answer whether the product idea can be transalated into a technically and commercially fesible product. If not the company accumulated investment will be lost except for any useful information gained in the process.

The R & D department will develop one of more physical versions of the product concept. It hopes to find a prototype that satisfies the following criteria (1) the consumers see it as embodying the key attributes described in the product-concept statement, (2) the prototype perform safely under normal use and conditions; (3) the prototype can produced for the budgeted manufacturing costs.

Developing successful prototype can take days, weeks, months, or even years. Designing a new commercial aircraft, for

example, will take several years of development work. Even developing a new taste formula can take time.

When the prototypes are ready, they must be put through rigorous functional and consumer tests. The functional tests are conducted under laboratory and field conditions to make sure that the product performs safely and effectively.

Consumer testing can take a variety of forms, from bringing consumers into a laboratory to test the product to giving them samples to use in their homes. In home, product-placement tests are common with products ranging from ice cream flavors to new appliances.

Market testing :

After management is satisfied with the product's functional performance, the product is ready to be dressed up with a brand name, packaging and a preliminary, marketing program to test it in more authentic consumer settings. The purpose of market testing is to learn how consumers and dealers react to handiling, using and repurchasing the actual product and how large the market is.

Most companies however, know market testing can yield valuable information about buyers, dealers, marketing program effectiveness, market potential, and other matters, The main issues are How much market testing? and what kind?

Consumer good market testing :

In testing consumer products, the company aims to estimate four variable namely, trial, first repeat, adoption, and purchase frequency. The company hopes to find all of tnese at high levels. In some cases it will find many consumers tying the product but new rebuying it, showing a lack of product satisfaction. Or it might find high first-time repurchase but then a rapid wear-out in the

repeat purchase later. Or it might find high premanent adoption but low frequency of purchase (as with gourmet frozen foods) because the buyers use the product only on special occasions.

In testing the trade, the company wants to learn how many and what types of dealers will handle the product, under what terms, and with what shelf-position commitments.

The major methods of consumer goods market testing, from the least to the most costly, are described in the following paragraphs.

Sales wave research : In sales-wave research consumers, who initially try the product at no cost are reoffered the product or a competitor's products, at slightly reduced prices. They may be reoffer the product as many as three to five times sales waves', the company noting how many consumers selected that company's product again and their reported level of satisfaction. Sales-wave research can also include exposing consumers to one or more advertising concepts in rough form to see what impact the advertising concepts in rough form to see what impact the advertising has on repeat purchase.

Simulated store technique : The simulated store technique (also called "laboratory test markets" purchase laboratories" or accelerated test marketing" calls for finding thirty to forty shoppers (at a shopping center or elsewhere) and inviting them to a brief screening of some television commercials. Included are a number of well known commercials and some new ones, and they cover a range of products one commercials advertises the new product, but it is not singled out for attention. The consumers are given a small amount of money and invited into a store where they may use the money to buy any items or keep the money. The company notes how many consumers buy the new product and competing brands.

This provides a measure of the commercial's relative effectiveness in producing trial against competing commercials.

Controlled test marketing : Several research firms have arranged a controlled panel of stores that have agreed to carry new products for a certain fee. The company with the new product speciftes the number of stores and geographical locations it wants. The research firm delivers the product to the participating stores and controls sheif loctioin, number of facings, displays and point of-purchase promotions, and pricing according to pre-specified plans. Sales results can be audited both from shelf movement and from consumer diaries. The company can also test small-scale advertising in local newspapers during the test.

Test markets : Test markets are the ultimate way to test a new consumer product in a situation resembling the one that would be faced in a full-scale launching of the product. The company usually works with an outside research firm to locate a few representative test cities in which the company's sales force will try to sell the trade on carrying the product and giving it good sheif exposure. The company will put on a full advertising and promotion campaign in these markets similar to the one that would be used in national marketing. It is a chance to do dress rehearsal of the total plan. Test marketing can cost the company several hundred thousand dolars, depending on the number of cities tested, the duration of the test, and the amount of data the company wants to collect. Exhibit 146 show the major decisions called for in test marketing.

Industrial goods market testing : New industrial goods typically, undergo extensive product testing in the labs to measure performance. reliability, design, and operating cost. Following satisfactory results, many companies will commercialize the product by lisfing it in the catalog and turning it over to the sales force. Today however, an increasing number of companies are turning to market testing as an inermediate step.

The most common method is a product-use test, similar to the in home-use test for consumer products. The manufacture selects some potential customer who agree to use the new product for a limited period. The manufacturer's technical people observe how these customers use the product, a practice that often exposes unanticipated problems of safety and servicing and cluse the manufacturer about customer training and servicing requirements. After the test, the customer is asked to express purchase and other reactions.

A second common market-test method is to introduce the new industrial product at trade shows. Trade shows draw a large number of buyers, who view new products in a few concentrated days. The manufacturer can see how much interest buyers show in the new product, how they react to various features and terms, and how many express purchase intentions or place orders.

The new industrial product can also be tested in distirbutor and dealer display rooms where it may stand neet to the manufacturer's other other products and possibly cometitors products.

Commercialization :

Market testing presumably gives management enough information to make a final decision about whether to launch the new product. If the company goes ahead with commercialization it will face its largest costs to date. The company will have to contract for manufacture or build or rent a full-scale manufacturing facility. The size of the plant will be a critical decision variable. The company can build a plant smaller than that called for by the sales forecaste to be on the safe side.

When (Timing) :

1. ***First entry*** : The first firm entering a market usually enjoys, "first movel advantages" consisting of locking up some key distributors and gaining reputational leadership.

2. ***Parallel entry*** : The firm might decide to time its entry with the competitor. If the competitor is rushing to launch the company does the same so that it can neutralize the competitor's gaining of first-mover advantages. If the competitor is taking time, the company might also take time, using it to refine its product.

3. ***Late entry*** : The firm might deliberately delay its launch until after the competitor has entered. There are three potential advantages. The competitor will have borne the cost of educating the market. The competitor's product may reveal faults that the late entrant can avoid. And the company can learn how big the market might be.

The timing decision involves other considerations as well if the new product replaces another product of the company might want to delay the introduction unit the old products's stock is drawn down. If the product is highly seasonal, the new product might be held back until the right season. All said, market entry timing deserves careful thought.

Where (Geographical strategy):

The company must decide whether to launch the new product in a single locality, a region, several regions, the national market or the international market. Few companies have the confidence, capital and capacity to launch new products into full national distribution. This will develop a planned market rollout over time Small companies, in particular will select an attractive city and put on a biltz compaign to enter market. They will enter other cities one at a time. Large companies will introduce their product into a whole region and then move to the next region. Companies with national distribution notworks, such as auto companies, will launch their new models in the national market unless there are production shortages.

To Whom (Target-market prospects):

Within the rollout markets the comapny must target its distribution and promation to the best prospect groups. Presumably the company has already profiled the prims prospects on the basis of earlier market testing, Prime prospects for a new consumer product would ideally have the following characteristics: They would be early adopters, they would be heavy users: they would be opinion leaders and woud talk favourobly about the product; and they could be reached at a low cost.

How (Introductory Market strategy)

The company must develop an action plan for intorducing the new product into the rollout marketes. It must allocate the marketing budget among the marketing-mix elements and sequence the various activities.

The consumer-adoption process

The consumer-adoption process begins where the firm's innovation process off. It describes how potential customers learn about new products, try them and adopt or reject them. Management must understand this process in order to build an effective strategy for early market penetration. The consumer adoption process is later followed by the consumer-loyalty process, which is the concern of the established producer.

We now turn to the theory of innovation diffusion and consumer adoption, which provides clues to identifying early adopters

Concepts in innovation diffusion and adoption :

An innovation refers to any good, service, or idea that is perceived by someone as new. The idea may have a long history, but it is an innovation to the person who see it as new.

Innovations take time to spread through the social system. Rogers defines diffusion process as "the spread of a new idea from its source of invention or creation to its ultimate users or adopters". The adoption process, on the other hand. focuses on 'the mental process through which an individual passes from first hearing about an innovation to final adoption". Adoption is the decision of an individual to become a regular user to a product.

We will now examine the main generalizations drawn from hundreds of studies of how people accept new ideas.

Role of personal influence :

Personal influence plays a large role in the adoption of new products personnel influence describes the effect of product statements made by one person on another's attitude purchase probability.

Influence of product characteristics on the rate of adoption:

The characteristics of the innovation affects its rate of adoption Some products catch on almost (e.g. frisbees). whereas others take a long time to gain acceptance (e.g. diesel engine autos) Five characteristics, are especially important in influentcing the rate of adoption of an innovation we will consider these characteristics in relation to the rate of personal computers to home use.

The first is the innovation's relative advantage, the degree to which it appears superior to existing products. The greater the perceived relative advantage of using a personal computer say in preparing income taxes and keeping financial records, the more quickly the personal computer will be adopted.

The second characteristic is the innovation's computibility-the degree to which it matches the values and experiences of the individuals in the community personal computers for example are highly compatible with the lifestyles found in upper-middle-class homes.

Third is the innovation's complexity the degree to which it is relatively difficult to understand or use personal computers are complex and will therefore take a longer time to penetrate into home use.

Fourth is the innovation's divisibility-the degree to which it may be tried on a limited base. The availability of rentals of personal computers with adoption to buy increases their rate of adoption,

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The fifth characteristic is the innovation's communicability-the degree to which the results of its use are observable or agreeable to others. The fact that personal computers lend themselves to demonstration and description helps them diffuse faster in the social system.

Other characteristics influence the rate of adoption, such as initial costs, on going costs, risk and uncertainty, scientific credibility, and social approval. The new-product marketes has to research all these factors and give the key ones maximum attention in designing the new-product and marketing programme.

Influence or organisational buyer's characteristics on the rate of adoption:

Organization can also be classified as to their readiness to try and adopt a new product. Thus, the producer of a new teaching method would want to identify the schools that have a high adoption probability. The producer of a new piece of medical equipment would want to identify hospitals that have a high adoption probability, adoption is associated with variables in the organization's environment (community progressiveness community income), the organization itself (size, profits, pressure to change). and the administrators (education level, age cosmopolitaness), once a set of useful indicators are found they can be used to identify the best target organization.

ORGANISING PRODUCT AND BRAND MANAGEMENT

Companies producing a variety of products and/or brands often establish a product or brand management organization. The product management organization does not replace the functional management organization but serves as another layer of management. The product management organization is headed by a products manager, who supervises several product group managers, who supervise product group managers, who supervise product managers in charge of specific products.

A product management organization makes sense if the products are quite different and/or if the sheer number of products is beyond the capacity of a functional marketing organization to handle.

The product manager's role is to develop product plans see that are implemented. monitor the results and take corrective action. This responsibility breaks down into six tasks.

1. Developing a long-range and competitive strategy for the product.

2. Preparing an annual marketing plan and sales forecast.

3. Working with advertising and merchandising agencies to develop copy, programs and campaigns.

4. Stimulating interest in and support of the product among the sales force and distributers.

5. Gathering continuous intelligence on the product's performance, customer and dealer attitudes, and new problems and opportunities.

6. Initiating product improvements to meet changing market needs.

These basic functions are common to both consumer and industrial-product managers. Consumer-product managers typically manage fewer products than industrial product managers. They spend more time on advertising and sales promotion. They spend more time working with others in the company and various agencies and little time with customers. They are often younger and better educated, industrial, product managers, by contrest, think more about the technical aspects of their product and possible designe improvements. They spend more time with laboratory and engineering personnel. They work more closely with the sales force and key buyers. They pay less attension to advertising sales promotion and promotional pricing. They emphasize rational product factors over emotional ones.

The product management organization introduces several advantages. First the product manager develops a cost-effective marketing mix for the product. Second, the product managers can react more quickly to problems in the market placc than a commities of specialists can. Third, smaller brands are less neglected because they have a product advacate. Fourth, product management is an excellent training ground for young excutives for it involves them in almost every area of company operations.

But a price is paid for these advantages. First, product management creates some conflict and frustration. Typically, product managers are not given enough authority to carry out their responsibilites effectively.

Second, product managers become exports in their product but rarely become experts in any functions. They vacilate between posing as experts and being cowed down by real experts. This is unfortunate when the product depends on a specific type of expertise, such as advertising.

Third, the product management system often turns out to be costlier than anticipated. Originally one person's appointed to manage each major product soon product managers are appointed to manage even minor products. Each product manager, usually overworked pleads for and gets an associate brand manager. Later both overworked, they persuade management to give them an assistant brand manager with all these personnel, payroll costs climb. In the meantime, the company continues to increase its functional specialists in copy. packaging, media, sales promotion market surveys, statistical analysis, and so on. The company becomes burdened with a costly structure of product management people and functional specialists.

Fourth, product managers tend to manage their brand for short time. Either product managers move up in a few years to another brand or product, or they transfer to another company, or they leave product management altogether. Their short-term involcvement with the product leads to short-term marketting planning and plays havoc with building up the product's longterm strengths.

Pearson and Wilson have suggested five steps to make the product management system work better.

1. Clearly delineate the limits of the product manager's role and responsibility for the product (They are essentially proposers, not deciders.)

2. Build a strategy development and review process to provide an agreed to frams work for the product manager's operations. (Too many companies, allow product managers to get away with shallow marketing plan featuring a lot of statistics but little strategic rationale).

3. Take into account areas of potential conflict between product managers and functional specialists when defining their respective

roles. (Clarify which decisions are to be the product manager's, which by the expert and which will be shared).

4. Set up a formal process that forces to the top all conflict of interest situations between product management and functional line management.(Both parties should put the issues inwriting and forward them to general mangement for settlement)

5. Establish a system for measuring results that is consistent with the product manager's responsibilities (If product managers are accountabe for profit. they should be given more control over the factors that affect their profitability.)

A second alternative is to switch from a product-manager to a product-team approach. In fact there types of product team structures in product management.

1. Vertical product team. This consists of a product manager associate product manager, and product assistant. The product manager is the leader and primarily deals with other executives to gain their co-operation. The associate product manager assists in these tasks and also does some paperwork. The product assistant does most of the paperwork and runs errands.

2. Triangular product team: This consists of a product manager and two specialized product assistants, one who takes care of (say) marketing communications.

3. Horizontal product team consists of a product manager and several specialists from marketing and other functions.

A third alternative is to eliminate product-manager positions for minor products and assign two or more products to each remaining product manager. This is feasible especially where two or more products appeal to a simplar set of needs. Thus a cosmetics company does not need separate product managers because cosmetics serve one major need-beauty-whereas a toiletries company needs different managers for headache remedies toothpaste, soap, and shampoo because these products differ in their use and appeal.

Product Management/market management organization : Companies that produce many products flowing into many markets face a dilemma. They could use a product management system which requies product managers to be familiar which highly divergent markets. Or they could use a market management system, which means that markets managers would have to be familiar with highly divergent products bought by their markets. Or they could instal both product and market managers that is a matrix organization.

A product management/market management organization would seem desirable in a multi-product. multi-market company. The rub is that this system is costly and conflicutual. There is the cost of supporting a three dimensional matrix organization (i.e., two layers of programme management added to one layer of resource management.

Most managers feel that only the more important products and markets would justify separate managers. Some are not upset about the conflicts and cost and believe that the benefits of product and market specialization outweigh the costs.

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Model question paper for the subject of Product Management

MADURAI KAMARAJ UNIVERSITY

Directorate of Distance Education

P.G. DIPLOMA IN MARKETING MANAGEMENT

Paper-III
Time- 3 hours
Marks-100

Answer and FIVE questions (5 X 20 = 100)

1. Describe the various classfications of products with suitable illustrations.
2. What is product life cycle? Explain the concept with marketing stategies to be adopted at each stage.
3. Define product-mix. Give an account of various product mix decisions.
4. How branding and packaging is important in product management?
5. How will you organize new product development activities?
6. Explain the various stages involved in developing a new product.
7. When the new products are introduced in the market, how will the customer adopt to the uses of them?
8. What is market testing? Explain the test marketing strategies
9. How will you adopt to the obsolescence and fashion stages of the products life cycle?
10. How manufactures or middlemen decide to introduce new products and why, sometimes, they meet with failures?